

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of San Diego Gas & Electric Company
(U902E) for Approval of Energy Storage and Energy
Efficiency Contracts Arising from the Track IV Local
Capacity Requirement All Source Requests for Offers

A.16-03-014
(Filed March 30, 2016)

**JOINT MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E),
ALLIANCE FOR RETAIL ENERGY MARKETS AND DIRECT ACCESS
CUSTOMER COALITION TO ENTER DOCUMENT INTO THE RECORD**

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August 18, 2016

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Pursuant to Rule 11.1 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the San Diego Gas & Electric Company (“SDG&E”), Alliance for Retail Energy Markets (“AReM”) and Direct Access Customer Coalition (“DACC”) (SDG&E, AReM and DACC are jointly referred to herein as the “Movants”¹) hereby file this Joint Motion seeking to enter into the record the attached Joint Memo of Understanding (“Joint Memo,” marked as Joint Exhibit No. SDGE/DACC/AReM-1) by and among the Movants with respect to cost allocation mechanism (“CAM”) and Local Generation Charge (“LGC”)² issues in this proceeding.³

I. INTRODUCTION

Pursuant to Commission Decisions (“D.”) 13-02-015 (“Track I Decision”) and D.14-03-004 (“Track IV Decision”), the Commission authorized SDG&E to conduct a competitive All

¹ SDG&E represents that it has been authorized by counsel for DACC/AReM to sign, file and serve this Motion on their behalf, consistent with Rule 1.8(d) of the Commission’s Rules of Practice and Procedure.

² SDG&E uses the term LGC synonymously with the term CAM. The two terms are used interchangeably herein with the same meaning.

³ See attached, Joint Memo of Understanding between San Diego Gas & Electric Company, the Alliance for Retail Energy Markets and the Direct Access Customer Coalition with Respect to Cost Allocation Mechanism Issues in the Track IV LCR RFO Proceedings (“Joint Memo”).

Source RFO. The Track IV Decision addressed the reliability issues associated with the closure of the San Onofre Nuclear Generating Stations (“SONGS”) in Track 4 of the Long-Term Procurement Plans (“LTPP”) proceeding, Rulemaking (“R.”) 12-03-014. That Decision authorized procurement by Southern California Edison (“SCE”) and SDG&E to address the identified reliability needs and approved cost recovery from all customers “either consistent with the [CAM] ... or through another Commission-authorized method.”⁴

Both energy storage (“ES”) and energy efficiency (“EE”) contracts were solicited via SDG&E’s competitive Track IV All Source RFO, and the RFO was designed to be consistent with the requirements and procurement guidelines as presented in the Track I and Track IV Decisions. On March 30, 2016, SDG&E filed the Application in which this Joint Motion is filed, seeking approval of the ES and EE contracts and requesting “a regulatory accounting and cost recovery mechanism consistent with the Track IV Decision and the Commission-approved CAM and Public Purpose Program (“PPP”) rates to allocate the costs incurred to all benefitting customers.”⁵ Specifically, SDG&E proposes to use its LGC to allocate costs for its energy storage contract with Hecate Energy Bancroft LLC, while for the EE contract with Willdan Energy Solutions, SDG&E will allocate costs via the Public Purpose Program (“PPP”) rate component.⁶

II. COST ALLOCATION MECHANISM/LOCAL GENERATION CHARGE ISSUES

The LTPP Track IV decision instructed SDG&E and SCE to propose a cost allocation methodology for the resources procured through their authorized procurement efforts.⁷

⁴ D.14-03-004, Ordering Paragraph 13, at p. 147.

⁵ Application, at p. 3.

⁶ Application at p. 8.

⁷ Track IV Decision, at p. 121.

Conventional resources have a defined methodology consistent with D.13-02-015 and the CAM adopted in D.06-07-029, D.07-09-044, D.08-09-012 and D.11-05-005. However, the Movants recognize that this methodology might not be appropriate for preferred resources.

In their May 6, 2016 joint response to the Application, AReM and DACC noted that SDG&E has not previously applied the LGC to energy storage and its testimony did not provide adequate information as to how it planned to calculate the net capacity cost, which is the basis of the LGC payment by direct access customers. Further, SDG&E did not address the associated RA credit that must be allocated to all customers making the LGC payment.

Subsequently, SDG&E provided helpful clarification in its May 16, 2016 reply to the AReM/DACC response and another party's protest to the Application. Specifically, SDG&E stated that it did not propose any changes to the existing LGC mechanism and that it believed it could clarify its LGC proposal via discovery. SDG&E further agreed that this clarification issue should be included within the scope of the proceeding, but noted it was "premature to determine the specifics of how the clarification will be provided."⁸

This led the Movants to engage in further productive discussions in an effort to further clarify for the record various issues relative to LGC treatment for its energy storage contract with Hecate Energy Bancroft LLC and the related allocation of resource adequacy benefits. These discussions are embodied in the attached Joint Memo. The Movants jointly believe that incorporation of the Joint Memo into the record will provide helpful clarifications with respect to these issues and that such inclusion on the record would be an expeditious and efficient means of enhancing the record and obviates the need for a formal workshop.

⁸ Reply of San Diego Gas & Electric Company (U 902 E) to Response and Protest, at p. 2.

III. CONCLUSION

SDG&E, AReM and DACC have reached meaningful agreement with regard to the related issues of cost allocation and resource adequacy benefits with respect to the energy storage contract with Hecate Energy Bancroft LLC for which contract approval is sought in this Application. The Movants therefore request that the attached Joint Memo be added to the formal record of this proceeding and approved as part of the Final Decision to be issued in this proceeding.

The Movants thank the Commission for its attention to the issues discussed herein.

Respectfully submitted,

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August 18, 2016

ATTACHMENT

Joint Exhibit No.: SDGE/DACC/AReM-1

Joint Memo of Understanding between San Diego Gas & Electric Company, Alliance for Retail Energy Markets and Direct Access Customer Coalition with Respect to Cost Allocation Mechanism Issues in the LCR RFO Proceedings

Subsequent to the filing of the Application of San Diego Gas & Electric Company (U 902 E) for Approval of Energy Storage and Energy Efficiency Contracts Arising from the Track IV Local Capacity Requirement All Source Request for Offers, the Alliance for Retail Energy Markets and the Direct Access Customer Coalition (jointly here referred to as “AReM/DACC”) filed a joint response to the Application seeking greater clarification as to SDG&E’s plans for allocating the costs of energy storage contract with Hecate Energy Bancroft LLC pursuant to what was described in the Application as “a regulatory accounting and cost recovery mechanism consistent with the Track IV Decision and the Commission-approved CAM and Public Purpose Program (“PPP”) rates to allocate the costs incurred to all benefitting customers.”¹ SDG&E responded with certain clarifications in its reply to the AReM/DACC response (and another party’s protest) to the Application that provided helpful information but left certain issues unresolved. Productive discussions between these parties led to agreement on the following LGC-related issues:

Storage Procured as a CAM (LGC) Resource:

The testimony of SDG&E witness Jeffrey Shaughnessy provides that, “SDG&E intends to recover the forecasted contract costs net of Independent System Operator (“ISO”) supply revenues, through the LGC consistent with the Commission’s CAM policy. The revenue requirement will be allocated among all customer classes based on the 12-month coincident peak (“12 CP”) demand methodology, and then the customer class allocated revenues will be divided by the authorized sales by customer class. The proposed resulting per kilowatt hour rates by customer class will be charged to all benefitting customers, including all bundled service, DA and CCA customers, through the LGC rate component. The forecast of costs of the proposed ES (Hecate) contract will be trued-up to their assessed recorded costs through the Local Generating Balancing Account (“LGBA”) and addressed in future Energy Resource Recovery Account (“ERRA”) Forecast Proceedings” [Exhibit XX at pp. JS-2 to JS-3].

Discussions were held concerning how SDG&E proposes to calculate the RA capacity value of Energy Storage (“ES”). SDG&E and AReM/DACC discussed this question, and SDG&E clarified that the full contract capacity of the Hecate Energy Bancroft LLC contract qualifies to meet current RA obligations. Consistent with other CAM and/or LGC-allocated resources, SDG&E expects that the Commission will allocate the RA counting rights associated with these resources to the load serving entities that serve load in the SDG&E service territory.

¹ Application, at p. 3. SDG&E further stated that it proposed to use its Local Generation Charge (“LGC”) for this purpose.

SDG&E and AReM/DACC further discussed how SDG&E proposes to calculate the “net capacity cost” for energy storage LGC resources pursuant to the Joint Parties Proposal (“JPP”).² These discussions resulted in the following clarification: For storage, the proposal is energy arbitrage. The costs result from charging the battery in the cheapest hours of a 24-hour period and the revenues result from discharge during the most expensive hours in the same 24-hour period. The net revenue is then the difference between these costs and revenues. That net revenue would then be credited back to the contract cost to calculate the net capacity cost for the LGC charges to customers.

Storage Procurement Issue:

AReM/DACC believe there needs to be a calculation that will determine when the CAM or LGC treatment of utility procured ES resources will make up for the reduction in energy storage targets electric service providers (“ESPs”) received under D.13-10-040. An alternative way of phrasing this question would be to ask what is the level or amount of LGC resources at which storage targets assigned to ESPs need to be revisited. Subsequent discussions led SDG&E and AReM/DACC to conclude that the level of LGC resources that would warrant revisiting procurement targets assigned to ESPs should be dealt with comprehensively on a statewide basis, as suggested in D.14-10-045,³ rather than in a proceeding dealing solely with one utility’s procurement. The parties concurred that there remains the need to determine when LGC-eligible storage procurement appears to be of such a magnitude that this issue warrants revisiting, but differ to some extent on how soon this issue should be resolved and whether it should be resolved in the new storage OIR (R.15-03-011) that was approved at the Commission’s March 26, 2015 meeting or another proceeding.

Energy Efficiency Contract:

The testimony of SDG&E witness Jeffrey Shaughnessy provides that “SDG&E intends to recover the costs through the PPP component consistent with other EE costs. The revenue requirement will be allocated among all customer classes based on authorized sales by customer class and then the customer class allocated revenues will be divided by the authorized sales by customer class. The proposed resulting per kilowatt hour rates by customer class will be charged to all customers, including all bundled service, DA and CCA customers, through the PPP rate component. The forecast of costs of the proposed EE (Willdan) contract will be trued-up to their assessed recorded costs through the Electric Procurement Energy Efficiency Balancing Account (“EPEEBA”) and addressed in future PPP Advice Letters” [Exhibit XX at p. JS-3].

AReM/DACC do not oppose this approach to EE cost recovery.

² The Joint Parties’ Proposal is defined in D.06-07-029 at 14-18 and D.07-09-044 at 7-9. The CAM process was further modified in D.11-05-005.

³ D.14-10-045 at 47 (“Once more experience is gained with the market, any proposals pertaining to potential upward or downward adjustments to targets, based on actual storage related CAM or PCIA cost recovery treatment, would need to be considered in a future proceeding with a broader audience of stakeholders.”)